

# **Rhode Island Public Transit Authority**

## **Joint Pension Board**

### **Minutes of the July 21, 2008 Meeting**

**Joint Pension Board Members Present: Stephen Farrell, Chairperson; Robert Batting; John MacDonald; Kevin Millea; Christine Johnston; and substitute member Rochelle Lee.**

**Mr. John Rupp joined the meeting approximately 20 minutes late.**

**Also Present: Alfred J. Moscola, General Manager; Richard Licht, Esq., Outside General Counsel; Andrew B. Prescott, Outside Labor Counsel; Henry Kinch; Maureen Neira; Deborah Dawson; Ellen Mandly and members of the RIPTA staff and the general public.**

### **Agenda Item 1: Approval of Minutes of June 16, 2008 Monthly Meeting**

**Mr. Farrell asked if the JPB members had an opportunity to review the minutes of the June 16th meeting, and the members indicated that they had.**

**A motion to approve the minutes as presented was made by Ms.**

**Johnston; seconded by Mr. MacDonald and passed unanimously.**

## **Agenda Item 2: Procedure for Appointment & Designation of Sub-Committee Members**

**Andrew Prescott, outside Labor Counsel, addressed the JPB members and reviewed with them the procedure for the appointment and designation of members to the JPB Sub-Committee.**

**Mr. Prescott explained that the sub-committee is charged with considering individual pension benefit requests. He continued that each of the unions represented on the JPB has one (1) member and that management has one JPB member designated as the sub-committee member.**

**He continued to explain the process by which sub-committee members are appointed, explaining that each union designates their representative as the sub-committee member, and that the management members of the JPB appointment one member to serve on the sub-committee. Mr. Prescott indicated that it was possible for management to have one or possibly two alternates for the sub-committee.**

**Mr. Batting asked if management should take that action at the present time, to which Mr. Prescott replied that the action should be**

taken. Mr. Farrell indicated that Kevin Millea would be the designated sub-committee member for ATU 618 and 618 A and Thomas Cute would serve as the alternate. Ms. Johnston, on behalf of the Laborers' Local 808 Union, indicated that she would serve as the sub-committee member for Local 808 members, and Senator Frank Ciccone would serve as her alternate.

Mr. Batting suggested that Mr. Rupp serve as the management member to the sub-committee and both Mr. MacDonald and Ms. Lee agreed with such appointment. Mr. Batting continued that he would serve as the first substitute and that Ms. Lee would serve as second substitute. Mr. Prescott indicated that staff would confirm such in writing for the files.

### **Agenda Item 3: Convene as Pension Sub-Committee/Consideration of Benefits Requests**

- Consideration of Benefits' Requests – Division 618**

- o JPB Action: Valentina Mottram – Active Employee – Age 60  
Request for Disability Pension effective 6/1/08 - \$1,622.09**

- o JPB Action: Fernando Tolentino – Active Employee – Age 63  
Request for Late Pension effective 7/1/08 - \$393.09**

- o JPB Action: Robert Del Vecchio – Active Employee – Age 65**

**Request for Late Pension effective 9/1/08 – \$2,577.56**

**o JPB Action: James Brown – Active Employee – Age 64**

**Request for Late Pension effective 9/1/08 - \$755.41**

**o JPB Action: Robert Gallant – Active Employee – Age 66**

**Request for Late Pension effective 9/1/08 – 629.04**

**Mr. Farrell asked Ms. Dawson to explain the benefits' requests. She explained that they were routine in nature, and briefly went through the detail of each request. The sub-committee comprised of Mr. Batting (filling in for Mr. Rupp) and Kevin Millea concurred approval of each of the requests.**

**- Consideration of Benefits' Requests – LIU, Local 808**

**o JPB Action: Ronald Sullman – Active Employee – Age 64**

**Request for Late Pension effective 9/1/08 - \$792.71**

**Mr. Farrell asked Ms. Dawson to explain the benefits' request. She explained that it was routine in nature, and briefly went through the detail of the request. The sub-committee comprised of Mr. Rupp and Christine Johnston concurred approval of Mr. Sullman's request for pension benefits.**

### **Agenda Item 3: Asset Allocation Change – Presentation by Lazaro Guzman**

**Ms. Neira introduced Mr. Guzman to the JPB, and he indicated that he was in attendance at the meeting to (1) follow-up on the previous discussion regarding the real estate investments; (2) to address the article from the New York Times regarding Prudential's actions with their own plans; and (3) to discuss future options for consideration by the JPB in relation to investments.**

**Mr. Farrell confirmed Mr. Guzman's agenda and he proceeded. He began by reminding the JPB that during his previous presentation, he had recommended that the two percent (2%) real estate allocation remain for the purpose of diversification and he reiterated his opinion of the value of maintaining such. He addressed the current challenges in the real estate market, and continued that in spite of such challenges, it is not necessary to stay completely out of that market sector, and reviewed the returns over the past five (5) years. Mr. Guzman pointed out that over the five year period, real estate was the second (2nd) best performer in RIPTA's portfolio. He continued that the real estate market had performed poorly last year, but now seems to be holding its own, pointing out that all areas of the market have been soft, and the real estate sector was still the second (2nd) best performing sector. Mr. Guzman summarized by saying that his recommendation to maintain 2% in the real estate sector has not changed, and if the JPB agrees he would present two (2) options for**

such to them.

Mr. Guzman stated that the RIPTA Pension Plan currently has assets in Cohn and Steers, and there had previously been discussion about transferring such assets to American Century. He continued that at the last meeting, American Century had been placed on a watch list, and it was decided at that time not to move the assets until the matter was further considered. Mr. Guzman stated that the reason that American Century was placed on the watch list was due to the fact that the number one person had left, and the number two person had taken over. He stated that the new manager had only been with the company since 2001 and the Prudential considers him to be a good manager, but due to Prudential's criteria regarding the fund manager, it was necessary to place the fund on a watch list. He continued that for this reason, even though the fund is on a watch list, it is not necessary to stay away from it, and he is still comfortable offering it as an alternative if RIPTA intends to maintain investments in the real estate sector.

Ms. Johnston asked Mr. Guzman if the manager had been replaced, and Mr. Guzman repeated that the number two person had been promoted and the rest of the team had remained. Mr. Guzman stated that it is still his opinion that the RIPTA plan maintains some assets in real estate pointing out that it is a good choice due to the liquidity of the investment. Mr. Farrell asked if there would be a penalty to RIPTA for moving the money, to which Mr. Guzman replied there

would not.

Mr. Batting stated that this conversation has been continuing for several months, and asked Mr. Guzman to explain what Prudential does for its employees' fund, and how it differs from how RIPTA's assets are being handled. Mr. Guzman responded that 14% of Prudential's plan is currently in equities which is down from 34% last year continuing that Prudential takes a conservative approach with investments. Mr. Guzman continued with his presentation reminding the members of the JPB that the objective of managing the plan's assets is to have the money in place when needed to fund retirements. He stated that the investment strategies are identified in relation to the actuarial assumptions with an emphasis on minimizing volatility. Mr. Rupp asked Mr. Guzman to move on with his presentation.

Mr. Farrell raised Mr. Guzman's next point to discuss future options for consideration by the JPB in relation to investments, specifically in terms of becoming a bit more aggressive with investments. He continued that the goal of raising the topic at this meeting was to have the JPB begin to think about becoming a bit more aggressive in terms of investments to which Mr. Batting commented that for a number of years the plan's investments have been conservative. Mr. Farrell suggested that Mr. Guzman come back to the JPB at the September meeting to discuss options for managing RIPTA's assets slightly more aggressively. Mr. Guzman agreed and indicated that he

would take some information with him for the JPB to review in terms of managing the assets in a more aggressive manner. It was agreed that the September meeting would be scheduled for one to one and one half hours, and that the actuaries from Angell Pension would be present as well.

The conversation turned back to RIPTA's specific investments in the real estate sector, and after a brief discussion a motion was made to table the decision to move forward or not with transferring the assets held in real estate to American Century. Such motion was made by Ms. Johnston, seconded by Mr. Millea, and passed unanimously.

#### **Agenda Item 4: Adjournment**

A motion to adjourn was made by Ms. Johnston and seconded by Mr. Rupp. Such motion passed unanimously and the meeting was adjourned.

Respectfully submitted,

Deborah A. Dawson, SPHR  
AGM Human Resources/Chief of Staff